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CITY OF MESA

HOUSING AND COMMUNITY DEVELOPMENT

Rehabilitation Office

HOMEOWNERS REHABILITATION PROGRAM

ADMINISTRATIVE PLAN

FY 2015-2016

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HOUSING REHABILITATION PROGRAM – PROGRAM OVERVIEW

The City of Mesa Community Development Housing Rehabilitation Program is a federally-funded program financed with federal funds from the Department of Housing and Urban Development, and administered through the City of Mesa Housing Services Division. The funds are used on projects for the rehabilitation of homeowner-occupied homes. This Program is funded through Community Development Block Grant (CDBG) funds. The funding for each fiscal year varies and is determined by Mesa City Council. The limits and availability of the Program depends on the amount of funds allocated to the City.

GOALS OF THE HOUSING REHABILITATION PROGRAM

- Eliminate health and safety hazards in homes
- Benefit low-income, very low-income, extremely low-income, and disabled residents
- Improve neighborhoods and encourage long-term stability
- Address energy efficiency issues

REHAB COMMITTEE

The Rehab Committee reviews, approves, and authorizes the terms and guidelines of the Housing Rehabilitation Administration Plan. These terms and guidelines may include, but are not limited to, the distribution of costs through forgivable loans, permanent loans, and emergency grants. In cases of particular need and/or special extenuating circumstances, the Rehab Committee may grant exceptions to any of the guidelines and rules stated in the Housing Rehabilitation Administration Plan. In case an exception is granted, a memo to the file stating why the exception was warranted will be placed in the project file.

The Rehab Committee consists of the following:

- Housing and Community Development (HCD) Director
- HCD Senior Fiscal Analyst
- HCD Project Coordinator
- HCD Community Revitalization Coordinator
- HCD Rehab Coordinator

REQUIREMENTS TO PARTICIPATE IN THE REHAB PROGRAM

The following requirements must be met in order for a property to be considered for the Rehab Program:

1. Property must be located in the City of Mesa and be owner-occupied. Homeowners must have owned and lived in the structure for at least the last year prior to applying for rehabilitation assistance
2. The home must be suitable for rehab under the financial constraints of this Program.
3. The property value of the home to be rehabilitated must not exceed 95% of the area median sales price as published by HUD annually.
4. If mortgage payments are not current, or the home is under forbearance (re-payment plan) or in foreclosure, it is not eligible for any rehab program.
5. The current owner must be a legal resident of the United States, complete an Statement of Legal Residency (Declaration of Section 214 Status). This structure must be their sole and only property.
6. Homeowners must meet the low-income limits of 80% or less of the area median income. Income includes all wages and salaries, interest and dividends, alimony, and child support, for all persons living in the house. It excludes food stamps, medical reimbursement, and foster childcare assistance.
7. Priority will be given to those who experience catastrophic events -- as funding is available. Priority is also given to those who have not received assistance before.
8. Level of assistance will be determined based on a review of the financial encumbrances on the property.

HOUSING REHAB PROGRAMS

MAJOR REHAB PROGRAM

The Major Rehab Program will provide up to \$100,000 of rehabilitation costs to qualifying homes of low-income homeowners. The costs will be divided equally between a forgivable loan and a permanent loan, each secured by a lien, as described below.

Forgivable Loans

Forgivable loans will cover 50% of the rehab costs. A forgivable loan is non-interest-bearing loan secured by a 5-10 year lien. (When the contract amount is \$15,000 or less, the forgivable loan will be for a five-year period and will be forgiven at 20% per year. If the contract amount is over \$15,000, the forgivable loan will be for ten years and will be forgiven at 10% per year.) At the end of the loan period, the lien will be released. A qualifying immediate family member who has inherited the property may assume the forgivable loan if they agree to the same terms and conditions as the original owner. The unforgiven balance of the loan shall become due and payable upon the sale, exchange, re-financing to get cash out, or transfer of the property to a non-qualifying owner.

Permanent Loans

Permanent loans are secured by a lien, are non-interest bearing, and become due and payable when the owner sells the home or changes the ownership to someone other than a qualifying member of the family. Permanent loans must be paid if the subordination agreement includes taking cash out from the equity of the home. (In hardship cases where there is insufficient equity on the property to cover the loan, the Rehab Committee may grant an exception to this requirement.)

Any Change Order costs will not be added to the forgivable or permanent loans and will be considered grants.

List of Qualifying Items to Repair/Replace

The following list shall establish the items that may be repaired or replaced:

- Electrical
- Plumbing
- Sewer lines
- Heating/Cooling
- Roofing
- Termite control
- Windows
- Exterior doors
- Exterior paint (two colors)
- Insulation
- Smoke detectors
- Bathroom fixtures
- Kitchen countertops
- Kitchen fixtures
- Hot water heaters
- Flooring (other types may be approved for medical reasons with a doctor's statement)
- Interior paint (one color throughout, bathrooms/kitchen shall be eggshell color).
- Other health and safety items as determined by the Rehab Coordinator.
- Existing units (stoves, refrigerators, air conditioners, etc.) may be repaired or replaced, depending on cost effectiveness, if the systems are faulty and/or create a safety hazards.
- General maintenance items and/or landscaping do not qualify for any of the rehab programs.

EMERGENCY REPAIR PROGRAM

The Emergency Repair (ER) Program is utilized to eliminate a threat to life, safety, or health. The amount allowed under the ER Program is the cost of the item in need of repair or replacement. In an emergency situation when time is of the essence, with approval of the Housing and Community Development (HCD) Project Coordinator (and ownership and income verification are obtained), staff will forgo the three-bid process and the HCD Rehab Coordinator and/or Project Coordinator will select a contractor to provide a quotation for the work to be performed. The quote will be required to be a responsible bid. The project is not to exceed \$10,000. (If so, it will need Rehab Committee approval.)

The following items/situations are considered emergencies, as determined by HUD's Housing Quality Standards: no cooling during the summer months/no heating during the winter months, as determined by and is consistent with local building codes; no hot water; severe water leak; gas leak; deteriorated or collapsed drainage systems; major electrical problems; or any other life, health, catastrophic issues, or safety threats, as determined by a minimum of two Rehab Committee Members.

When funds are limited due to budget constraints and an emergency repair is required, a lien for the emergency repair amount *may* be filed. If the project is over \$10,000, liens *will* be required.

A new lien may be filed or an existing lien may be modified should a full rehab need to be completed at a later date. Documentation for the ER project will be kept in a separate file.

EMERGENCY REPAIR PROGRAM – MANUFACTURED HOMES

The Manufactured Home Emergency Repair Program is a grant program, utilized to eliminate a threat to life, safety, or health, as determined by the HCD Rehab Coordinator, HCD Project Coordinator, or the Rehab Committee. The Program only covers manufactured homes on rented lots and owners must be below 80% of the median income. Projects are not to exceed \$10,000.

The amount allowed under the Emergency Repair Program for manufactured homes is the cost of the item needed replaced/repaired. A manufactured home must be a 1980 model or newer to be eligible for the Program. Manufactured homes built before 1980 may be eligible if approved by the Rehab Committee.

All manufactured homes must comply with the following:

- Have a floor area of not less than 700 square feet
- Have 100-amp service
- Be built on (and remain on) a permanent chassis
- Finished grade elevation beneath the manufactured home, or if a basement is used, the lowest finished exterior grade adjacent to the perimeter enclosure, shall be at or above the 100-year return frequency flood elevation

Exceptions may be granted on a case-by-case basis by at least two Rehab staff members.

HOME ACCESSIBILITY PROGRAM

The Home Accessibility Program is a 50% permanent loan, 50% forgivable (5-year) loan program, to install home accessibility components only. This Program is available if the house is not in need of general rehabilitation. The maximum amount for this Program shall be the total cost of all components needed for the modification, or \$15,000, whichever is less. A permanent lien for 50% of the cost, and a forgivable (5-year) lien for 50% of the cost will be placed against the property. If more repairs are required, the forgivable loan option is available.

Home accessibility modifications will be covered as far as accessibility; i.e., ramps, bathroom and shower accessibility, etc., but not for therapeutic needs. Construction of special features for individuals with very specific health needs will not be addressed due to limited funds and the need of specialized knowledge.

GUIDELINES FOR PARTICIPATING IN THE HOUSING PROGRAMS

1. Homeowners can call or come into the HCD office, and a contact sheet will be filled out. Verbal information will be collected regarding income and ownership, as well as a brief description of the repairs being requested. If it appears the homeowner qualifies for the Program, they will be put on the wait list (unless an emergency). When the project comes up on the wait list, the homeowner will be contacted and sent an application, along with a list of required documents to fill out and return for review. Applications will request information re: general income, ownership, and homeowners insurance.
2. Homeowners will be invited to participate according to the contact date (the date they initially contacted the Housing Rehab office). The exception will be emergency repairs and home accessibility, which will be addressed as soon as possible.
3. Homeowners who have previously participated in the Program cannot participate again as long as there are other homeowners on the waiting list, and/or if the original lien has not been forgiven.

4. Townhouses, condominiums, and manufactured homes on rented lots are not eligible for regular rehab. They can, however, be eligible for the Emergency Repair Program and receive assistance up to the cost of any qualifying item needing replacement or repair. The townhome/condominium owner is responsible for securing permission from the HOA before participating in the Program. Townhouses and condominiums are limited to the replacement of interior finishes, such as, but not limited to, floor coverings, paint and texture, kitchen and bath cabinets, light fixtures, switches, and receptacles, plumbing fixtures that don't involve re-piping, interior doors and trim, and water heaters. Interior finishes will not need to comply with Davis-Bacon. The exterior of the structure is typically the responsibility of the property association. If exterior work is needed in addition to the interior work, Davis-Bacon compliance is required for all work, both interior and exterior. (The internal and exterior work cannot be separated in order to avoid compliance with Davis-Bacon.)
5. Homes of historic value will be reviewed on a case-by-case basis by the HCD Rehab Coordinator, Project Coordinator, and/or the Rehab Committee, and addressed through the environmental review process. Emergency grants may be considered to eliminate health and safety hazards in accordance with the Emergency Repair Program, as stated on p. 5.
6. The State Historic Preservation Office (SHPO) will review all properties, fifty years of age or older. All properties with exterior repairs or modifications will also be reviewed. If a historic review is needed, the HCD Rehab staff will prepare a packet to be forwarded to the SHPO office for processing. The packet will include photos of the exterior of the house, completed request form, and a copy of the work specifications. Exterior work will not proceed until SHPO clearance has been received.
7. The property must be suitable for rehabilitation. The yard and home must be at a level of readiness and accessibility to allow the project to proceed. A dwelling that cannot be rehabilitated to meet safety, health, and code standards, has major structural damage, or has major draining problems, will be considered non-feasible.

8. Participants must be of legal age to execute a contract between the homeowner and the contractor for all work required.
9. A 15-day notice will be given for any non-compliance or lack of response in prompt manner to the following:
 - a. The homeowner does not respond to the invitation.
 - b. The homeowner does not have the required documentation available for completion of their application.
 - c. The homeowner's yard or house is not brought up to and maintained at a level of readiness and accessibility to allow the project to proceed.
10. The homeowner will be notified in writing that work will not proceed on their home, and the next homeowner on the waiting list will be contacted.
11. After the application has been taken and all pertinent information verified, the Rehab Coordinator will inspect the property and generate a scope of work and cost estimate. The Rehab Coordinator and the homeowner will thoroughly discuss the work to be done prior to selecting a contractor. The homeowner will select up to four contractors from the active contractor list and sign the Contractor Selection Form. The Rehab Coordinator will then invite the chosen contractors to bid the project.
12. If the repairs are deemed an emergency and warrant prompt attention, an inspection by the Rehab Coordinator or inspector will be conducted. In an emergency situation, after ownership and income verification are obtained, a contractor may be selected by the Rehab Coordinator, with approval by the Project Coordinator, to provide a quotation for the required work to be performed.
13. All homeowners must agree to cooperate with the Rehab staff, allow the contractor access to the home Monday thru Saturday, 7:00 am to 5:00 pm, and support the contractor in the timely completion of the rehabilitation of their home. Non-cooperation in the process can result in early termination of the project and removal of the homeowner from the Program.
14. In cases of particular need and/or special extenuating circumstances, the Rehab Committee may grant exceptions to any of these rules. In case an exception is granted,

a memo to the file (stating why the exception was warranted) will be placed in the project file.

Appeals Process

The City of Mesa Housing and Community Development (HCD) Homeowners Rehabilitation Office will notify the homeowner of a decision denying assistance. The notice will contain a brief statement of the reasons for the decision. The Rehab Committee will review the request within 30 days. Once the Rehab Committee has made a decision, the response will be mailed to the homeowner within ten business days. The homeowner may request a review of the decision in writing, dated and signed, and delivered to the Rehab office via mail, fax, or in person.

Occupancy Requirements

The owner agrees to maintain continued occupancy for the duration of the loan. If the homeowner is unable to fulfill this obligation under this contract and cannot continue to occupy the home, they must notify HCD in writing before vacating the home. HCD will attempt to accommodate the homeowner with special arrangements in case of hardship. However, in most cases, a permanent lien will be placed on the property for the balance due under the contract. Monthly payments may be required until the lien is paid in full. The Rehab Committee will determine the amount of the payments.

Levels of Assistance/Participation

1. Self-help rehabilitation (owner labor), owner/contractor labor, and/or sweat equity is not allowed.
2. Homeowner(s) must complete any unfinished construction project prior to the City undertaking further work on the property, and must agree to not undertake any new construction projects while the home is being rehabilitated. No side deals or arrangements will be allowed between the homeowner and the contractor.
3. The amount of rehabilitation undertaken will depend on the condition of the property. All work deemed necessary by the HCD Rehab Coordinator to provide decent, safe, and sanitary conditions must be completed before participation in the Program.
4. Mold and mold remediation are not covered under the Homeowners Rehabilitation Plan.
5. Special medical needs will be considered on a case-by-case basis, and may require the homeowner to provide a doctor's statement showing the need because of a medical condition.
6. When the existing structure is deteriorated to the degree that repair/rehabilitation costs would equal or exceed new construction costs, or the structure was built inferior and/or substandard; has major structural or drainage problems; or if the cost of the required rehab exceeds the property value, or if any repair(s) needed cannot be completed within the financial constraints of the program(s), the structure will be deemed "non-feasible for rehab" and denied participation in the rehab program.

LOANS

Assumability

Permanent loans and forgivable loans are each secured by separate liens. They shall be repaid to the City upon the sale of the property. However, an immediate family member who qualifies under the income guidelines may assume the loans with the same terms as the original agreement. Immediate family shall include the owner's spouse, child, stepchild, sister, brother, mother, father, grandchildren, and/or grandparents. The family member assuming the permanent or forgivable loan must continue residing in the home until the loans have been satisfied.

Foreclosure and Short Sales

In the event a home ends up in foreclosure or short sale due to payments not being made on the first mortgage, etc., HCD reserves the right to accept or reject any and all offers to satisfy the City's loans. The Rehab Committee will review individual foreclosures or short sales on a case-by-case basis and make recommendations. The Rehab Committee's decision shall be final.

Subordination Agreements

Subordination agreements on the permanent and/or forgivable loans will only be allowed for the following circumstances:

1. To refinance an existing mortgage to a lower interest rate, and/or to reduce the monthly payments with no cash out.
2. In the event of the death of the owner, the lien will remain until the property is sold or assumed by a qualifying family member.
3. In hardship cases where the owner would benefit, as determined by the Rehab Committee.

CONTRACTOR INFORMATION

Qualifications

To qualify for the Rehab Program active contractor or sub-contractor list, a contractor must:

(1) possess a residential contractor's license from the State of Arizona, with a minimum B classification or related trade classification; (2) possess proper identification; (3) be in good standing with the Registrar of Contractors; (4) have a City of Mesa Tax License; (5) have good references; (6) meet the City's insurance requirements, including \$2 million general liability and worker's compensation insurance; and (6) must be registered on the U. S. Governments System for Award Management (SAM.gov).

All contractors bidding are subject to, and shall comply with federal, state, county, and City of Mesa procurement laws, policies, and regulations; including, but not limited to: (1) Section 3 of the Housing and Urban Development Act of 1968; (2) Women and Minority Owned Business recruitments; (3) Section 504 of the Rehabilitation Act of 1973; (4) Equal Employment Opportunities (EEOC) regulations not discriminating against any employee or applicant for employment because of race, color, religion, sex, age or national origin; (5) Americans with Disability Act (ADA) of 1990; (6) drug-free workplace regulations; (7) Davis-Bacon and Labor Standards regulations; (8) federal and local bond requirements; (9) lead-based paint hazard control regulations; (10) Maricopa County Air Quality Department environmental regulations regarding dust control, asbestos and NESHAP; (11) Energy Policy Act (EPA) of 2005; (12) Federal Immigration and Nationality Act (FINA) and Immigration Reform and Control Act (IRCA) of 1986; and (13) Arizona Revised Statutes (ARS) 23-214 related to the verification of employment eligibility of employees or anyone working on the project. Women and minority-owned businesses, as well as certified Section 3 businesses are strongly encouraged to participate.

Compliance

If a general contractor does not comply with all Program guidelines for performance, including payment of all sub-contractors and suppliers, he will be removed from the active contractors list.

Drug-free workplace

The contractor agrees to maintain a drug-free workplace, and to advise all employees, sub-contractors, employees of sub-contractors and all persons either directly or indirectly employed by the general contractor that the unlawful use, possession, distribution, dispensing, or manufacture of alcohol or drugs in the workplace or in a job-related activity, is prohibited. A drug-free workplace certification must be filed with the City of Mesa HCD office. Signs to that effect will be provided by HCD for each project and are to be posted at the workplace.

Federal immigration laws

The contractor and all sub-contractors working under the contract shall comply with the Federal Immigration and Nationality Act (FINA), the Immigration Reform and Control Act (IRCA) of 1986, all other federal immigration laws and regulations, and ARS §23-214 related to the verification of employment eligibility of those employees performing work under this contract. Verification form must be filed with the City of Mesa Housing and Community Development office.

Violations of this section may result in termination of this agreement and loss of eligibility of any person from consideration for future award of contracts under the Housing and Community Development rehabilitation programs for a period not to exceed three years.

Contractor Selection Procedures

The goal for selecting contractors is to get at least three bids per project. Every effort will be made to ensure fair bidding practices. All projects are subject to, and shall comply with federal, state, county, and City of Mesa procurement laws, policies and regulations. With this goal, in mind the following procedures will be utilized:

1. The homeowner will be given a Contractor Selection Affidavit and a current contractor list. The homeowner is instructed to select four contractors from this list and return to the Rehab office within five business days.
2. Contractors will be invited by HCD staff to attend a required walk-through at the home at a designated date and time. They will be given up to ten business days to submit their sealed bids to the HCD office, whereupon the bids will be opened, read aloud, and awarded to the lowest responsible bidder, as determined by the Rehab Coordinator and/or Project Coordinator. Contractors that do not respond to two invitations to bid will be evaluated for removal from the active contractors list by the Rehab Committee. The contractor will be notified in writing and given 15 calendar days to appeal the decision.
3. When a project is determined by the Rehab Coordinator to be minor in nature, (involving no more than three trades and estimated to be below \$16,000), the bidding process will under normal circumstance will be done electronically. The invitation and the work write-up will be emailed to the contractors selected by the homeowner. It will be the responsibility of the contractor to contact the homeowner and make an appointment to walk the project. The contractor must return the signed bid documents via email to the email address specified in the invitation by the closing date and time. The contractor's email must be received by the closing time and date or the bid will not be accepted.

4. In the case of minor repairs (usually less than \$1,000), staff will rotate the contractors on the approved contractor list. Staff will maintain documentation of the rotation, including contractor name, date, homeowner name, and project number.

Contractor Termination

1. If the contractor fails to complete the project in a workman-like manner within the prescribed timeframe or violates any other provisions of this agreement, he may be declared in default and may be subject to loss of eligibility to participate on the active contractors list.
2. The HCD staff will provide the contractor with a 48-hour written notice of default for failure to comply with his contract obligations. This notice shall contain the reasons for the intent to declare the contractor in default. If within 48 hours after service of said notice, the violations continue and satisfactory arrangements are not made for correction, the contractor's Right to Proceed under the contract shall be terminated, and the contractor will be removed from the contractor list. In the event the contractor is terminated, HCD shall have the right to hire another contractor to complete the project. The cost of having the work completed shall be deducted from the amount of the contract. In the event that the costs to complete construction exceed the balance remaining on the contract, the contractor shall upon demand immediately pay the difference to HCD.
3. Notices to be given by HCD to the contractor shall be considered given if mailed by regular mail to the contractor at the address on the contractor's application (unless the contractor has provided a written address change).

Loss of Eligibility to Participate on the Active Contractor List

Causes for loss of eligibility to participate on the active contractor list include the following:

1. Conviction of any person, or any subsidiary, or affiliate of any person for commission of a criminal offense arising out of obtaining or attempting to obtain a contract or subcontract, or in the performance of a contract or subcontract, under the City of Mesa Housing Rehabilitation programs.
2. Conviction of any person, or any subsidiary, or affiliate of any person under any federal or state statute for embezzlement, theft, fraudulent schemes and practices, bid rigging, bribery, falsification or destruction of records, or any offence indicating a lack of business integrity or honesty which affects responsibility as a contractor of the City of Mesa Housing Rehabilitation or Rental Rehabilitation Programs.
3. Conviction or civil judgment finding a violation by any person or any subsidiary or affiliate of any person under state or federal antitrust statutes.
4. Violations of contract provisions of a character which are deemed to be so serious as to justify loss of eligibility to participate on the active contractor list, such as knowingly failing without good cause to perform or unsatisfactory performance in accordance with the specifications, within the time limit provided in the contract, or knowingly allowing violations of the drug-free workplace.
5. Violations of the Federal Immigration and Nationality Act (FINA), the Immigration Reform and Control Act (IRCA) of 1986, all other federal immigration laws and regulations, and ARS §23-214 related to the verification of employment eligibility of those employees performing work under this contract.
6. HCD will provide written notice of intent to remove them from the active contractor list. The contractor will have ten days to respond to the notice of intent to remove. The Rehab Committee will review any response and make a written determination. This determination can be appealed to the HCD Director. The decision of the HCD Director shall be final.

Contractor Requests for Payment

To request a payment, the contractor shall complete and submit a City of Mesa Contractor Payment Request form, along with a company invoice, to NEIGHSVS-Invoices@mesaaz.gov.

The inspector assigned to the project will receive the invoice within 24 hours or the next business day, and will determine at that time if the invoice can be processed as submitted, or if the invoice needs to be corrected/adjusted. If the Contractor Payment Request Form needs to be corrected, the Rehab Coordinator will contact the contractor to set up a site meeting to review the percentage of completion.

Upon approval the contractor shall submit a detailed invoice for the approved amount. Payments will be disbursed by the City's Finance Department and mailed to the contractor.

A ten percent (10%) retention will be withheld on all projects until such a time that all contractual obligations are met.

The contractor may request monthly draws or progress draws. A 10% retention will be held and processed when: (a) 100% of the work is completed; (b) all inspections are done; (c) the inspection card, lien waivers, warranties, and all other pertinent paperwork have been submitted; and (d) all other contractual obligations are met.

If hourly charges are being billed, the contractor shall submit an invoice supporting the claim.

A Certificate of Release must be signed by the HCD Rehab Coordinator, Project Coordinator, or inspector assigned to the project.

Projects are to be completed within 90 calendar days. Due to unforeseen circumstances, exceptions may be made.

Contracts

All rehabilitation contracts must be executed between the homeowner and contractor before a Notice to Proceed is issued. The contract will be for up to 90 calendar days. The contractor may request in writing an extension for extenuating circumstances beyond the contractor's control. The HCD Rehab Coordinator will deny or grant (in writing) an extension for a sufficient amount of time to complete the performance. If it is determined that the contractor cannot complete the rehab work in a timely manner, a new contractor will be hired to complete the project. The new contractor will be paid from the unexpended contract fund.

Contractor Warranties/Guarantees

The contractor shall guarantee the work performed for a period of two years from the recorded date of lien (or final acceptance of all work on projects that do not have liens) as required by the contract. In addition, the contractor shall furnish the owner with all manufacturers' and suppliers' written guarantees and warranties covering materials and equipment furnished under the contract.

Any defects that appear within this two-year period and arise out of improper workmanship shall be corrected and made good by the contractor at his expense.

Bonds, Permits, and Licenses

The HCD Rehab staff will ensure that the contractor has a building permit when needed from the City of Mesa and that all required inspections are made. The permit, scope of work, drug free workplace poster, construction notice, and Change Orders are to be posted at the site at all times. All permits and licenses necessary for the completion and execution of the work shall be secured by the contractor. All work shall be performed in conformance with applicable codes and requirements, whether or not covered by the specifications and drawings.

Per HUD regulations 24 CFR85.36 (h), any contract that exceeds the simplified acquisition threshold, (currently set at \$150,000) will require any bidder and/or contractor to provide: (1) a bid guarantee from each bidder equivalent to ten percent of the bid price, (2) a performance bond on the part of the contractor for 100 percent of the contract price, and (3) a payment bond on the part of the contractor for 100 percent of the contract price.

Change Orders

Change Orders may be requested by the contractor for items that were not included in the original work write-up, due to unforeseen health, safety, or code violations. The contractor must have an approved Change Order from the Housing Rehabilitation Coordinator. The contractor will sign the Change Order, have the homeowner sign the Change Order, and return it to the HCD Rehab office before proceeding with any work. In the HCD Coordinator's absence, a designee or a member of the Rehab Committee may approve the Change Order.

The homeowner must be informed of any changes to the contract or other problems encountered during the rehabilitation work, and sign the Change Order form before work proceeds. All Change Orders over \$1,500 (sub-contractor's price) will require three bids.

If for any reason changes are approved during construction at no additional cost, a zero Change Order must be completed following the same procedure as established for a regular Change Order.

Section 3 and MBE/WBE Contractors Participation

The contractor and all sub-contractors shall comply with Section 3 of the HUD Act of 1968, which requires that, to the greatest extent feasible, economic opportunities must be created for low- and very-low-income persons and Section 3 businesses. This will be done by targeting low-income areas, public-housing residents, homeless shelters, placing ads in minority

newspapers, distributing flyers, posting signs at job sites, and contacting local employment agencies.

A special ongoing effort will be made to recruit Section 3, minority (MBE), and women's business enterprises (WBE). These efforts shall consist of direct mailings to local, qualifying contractors, placing ads in minority newspapers, and recruiting thru local agencies and non-profits who cater to these groups.

ADMINISTRATIVE PROCEDURES

Office Estimates

In order to ensure competitive pricing and cost control, an office estimate will be completed for all rehab projects. The Rehab Coordinator will complete this estimate. The estimate must be completed, dated, signed, and on file before the bid opening.

Inspections and Project Monitoring

The HCD staff will monitor all rehabilitation work during construction. At the completion of the job, HCD staff will make a final inspection to ensure that all rehabilitation work meets specifications and is of good quality and workmanship, according to the Housing and Community Development Rehabilitation Programs' minimum standards.

Rehabilitation Files

Rehabilitation files will include the following documents:

A. Section I

1. Project Checklist
2. Checklist
3. Environmental Report
4. Correspondence, notes, warranties etc.
5. Contact Sheet

B. Section II

1. Application
2. Financial Calculations
3. Verification of Income
4. Verification of ownership
5. Verification of homeowner's Insurance, if available
6. Utility Bill
7. Memo of Understanding
8. Authorization for Release of Information
9. Privacy Act Notice

Records Retention

Upon completion of each project, files will be examined to ensure that all necessary documentation is in the files in order to comply with City and HUD regulations. Files will be retained for five years after the City's lien has expired/released; or in the case of emergency grants, for five years after completion. Files with permanent liens will be held in permanent storage.

Deed/Lien Recordings

Upon signing of the Notice to Proceed, a Deed of Trust will be recorded within ten (10) City of Mesa business days with the Maricopa County Recorder. Copies of the recorded Deed of Trust, the Loan Agreement, the Promissory Note, and the Change Orders (where applicable) will be mailed to the homeowner. The recording date of the lien will be used as the beginning of the term of the loan or lien.

Reporting Procedures

The Housing Rehabilitation staff will prepare quarterly reports that will include data related to race and ethnicity, female head of household, and income percentages of beneficiaries.

In addition to the monthly reports, the housing rehabilitation staff shall maintain:

1. A current log of all properties that have participated in the rehabilitation programs.
2. A list of all homeowner that did not qualify for the programs. This list shall include:
 - a. Name of the homeowner.
 - b. Reason(s) for ineligibility.

COMPLAINTS AND APPEALS

In the event of a disagreement between the owner(s) and the contractor with respect to the rehabilitation work done by the contractor or subcontractors, the HCD Rehab Coordinator and/or Project Coordinator will mediate all disputes. If this arbitration is unsatisfactory, either party may make appeal to the Rehab Committee for determination. This appeal process does not preclude property owners and/or contractors from appealing to other parties they deem necessary.

This same grievance procedure shall apply to all other complaints and/or appeals concerning the HCD Rehab Program. This includes but is not limited to, complaints regarding eligibility criteria, and/or other Program guidelines.

The homeowner shall contact the Arizona Registrar of Contractors for any dispute arising from workmanship, warranty, or guarantee items.

LEAD-BASED PAINT PROGRAM

HUD issued regulations to protect young children from lead-based paint hazards in homes that receive financial assistance from the federal government or houses sold by the federal government. The regulation establishes requirements for testing of all painted surfaces, interim controls, and abatement of lead-based paint hazards in such housing. It applies to all housing that was built before 1978, when lead-based paint was banned nationwide for consumer use. (A copy of the regulations can be obtained at www.hud.gov/lea or call 800-424-LEAD to receive a copy by mail.)

GLOSSARY

CDBG

Community Development Block Grant

Davis-Bacon

The Davis–Bacon Act of 1931 is a United States federal law that establishes the requirement for paying the local prevailing wages on public works projects for laborers and mechanics. It applies to contractors and subcontractors performing on federally-funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works.

HCD

Housing and Community Development

MBE/WBE

Minority Business Enterprises (MBEs) are entities that are at least 51% owned and/or controlled by a socially and economically disadvantaged individual as described by Title X of the Clean Air Act Amendments. Women’s Business Enterprises (WBEs) are entities that are at least 51% owned and/or controlled by women.

Section 3

Section 3 is a provision of HUD that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 Program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Subordination

Subordination is the process by which the loan is temporarily released per a written agreement with the title company so that the homeowner is able to modify the loan (see page 12).